

March 15, 2012

The Honorable Joseph J. Crisco, Chair
The Honorable Robert W. Megna, Chair
Joint Committee Real Estate and Insurance
Connecticut State House
Hartford, CT 02903

FTR

Testimony in support of H.B. 5486 - An act concerning health insurance coverage for prescription drugs and breast thermography

On behalf of the members of the New England Coalition for Affordable Prescription Drugs (NECAPD), I respectfully request your support of H.B. 5486. If passed, this bill would preclude the use of specialty drug tiers in drug formularies by private insurers in Connecticut. The implementation of specialty tiers by Connecticut insurers would increase of out-of-pocket prescription drug costs for individual patients by thousands of dollars a year.

More and more health plans are transferring the increased cost of prescription drugs on to patients in the form of cost-sharing arrangements, such as higher premiums, co-payments, deductibles, or coinsurance. Patients living with chronic/life-threatening diseases or disabling conditions are being disproportionately impacted by this shift in cost-sharing as employer-sponsored plans and private insurers are implementing "specialty tiers" in their drug formularies.

Instead of the traditional three-tier drug formulary used by most plans (Tier 1 = generics; Tier 2 = preferred brand-name drug; Tier 3 = non-preferred brand-name drug), many plans have added fourth and fifth tiers ("specialty tiers"). Specialty tier formularies use a coinsurance rate (i.e., a cost sharing percentage ranging from 20%-33%+), rather than a fixed co-pay (i.e., \$25/refill).

For a patient living with multiple sclerosis, lung, breast or colon cancer, rheumatoid arthritis, hemophilia, HIV, Crohn's disease, inflammatory bowel disease, leukemia, or lymphoma, a specialty tier formulary can result in out-of-pocket costs for life-saving and altering medications as high as several hundred, or even thousands of dollars per month. These patients do not have a generic drug option and often are reliant upon specialty drugs to stay alive or well.

Co-insurance rates for specialty drugs are based on the retail cost of these drugs, instead of on the actual cost to insurers after negotiated rebates. As a result, patients may pay a significantly larger portion of the actual cost of specialty tier drugs than the coinsurance requirement.ⁱ

Specialty tiers create a system where people who are sick pay disproportionately more for their care. High out of pocket expenses create a significant barrier to accessing care. Studies show that higher co-payments lead to reduced adherence to medication treatments.ⁱⁱ Non-adherence to medication results in \$100 billion spent each year in the U.S. on avoidable hospitalizations.ⁱⁱⁱ

Others may argue that specialty tiers are a good thing because they force patients to choose less expensive, generic options. This is a specious argument because for people who use the drugs placed

on specialty tiers there are no generic options. Who is to blame for the rising cost of medication is not the issue here. Instead how specialty tiers will harm the most vulnerable patients by putting live-saving and enabling medication out of reach is.

There is precedence in the US on the use of legislation to preclude the use of specialty tiers. On October 1st, 2010, New York Governor David Patterson signed into law legislation (S.5000-B/A.8278-B) that prohibits commercial health plans from imposing a specialty drug tier. Drug tiers with patient cost-sharing obligations above those that apply to non-preferred brand drugs (Tier 3) are now prohibited.

Passage of H.7573 in Connecticut would prohibit the use of this unfair form of cost sharing. Legislation prohibiting specialty tiers would not affect Medicare policies, or the policies of self-insured employers, which are governed by Federal and/or ERISA law. On behalf of NECAPD's members, we urge your support of H.7573. It is in the best interest of Connecticut. Thank you for your consideration.

Sincerely,

Wendy E. Owens

Wendy E. Owens
Executive Coordinator

ABOUT NECAPD

NECAPD is an alliance of non-profit organizations concerned about the high and rising cost of prescription drugs. We are dedicated to promoting and protecting New England residents' access to safe and affordable prescription drugs through education and advocacy. NECAPD is an initiative of the New England Hemophilia Association.

NECAPD MEMBERS

New England Hemophilia Association
National Psoriasis Foundation
Arthritis Foundation - New England Region
US Pain Foundation Inc.
NeedyMeds, Inc.
The Leukemia & Lymphoma Society – Massachusetts Chapter
Advocacy for Patients with Chronic Illness, Inc.
National Multiple Sclerosis Society - Greater New England Chapter
Hemophilia Alliance of Maine
National Multiple Sclerosis Society - Connecticut Chapter
National Multiple Sclerosis Society - Rhode Island Chapter

ⁱ "Specialty Tier Prescription Drugs- A Report to the General Assembly," Prepared by the Delaware Health Care Commission, March 2012.

ⁱⁱ Goldman DP, Joyce JF, Escarce JJ, et al. Pharmacy benefits and the use of drugs by the chronically ill. *JAMA*. 2004;291:2344-2350.

ⁱⁱⁱ Osterberg L, Blaschke T. Adherence to medication. *N Engl J Med* 2005;353:487-97.